

JAMAICAN TEAS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2012

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I N D E X

	<u>PAGE</u>
Independent Auditors' Report to the Members	1-2
<u>FINANCIAL STATEMENTS</u>	
Consolidated Income Statement	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Company statement of Comprehensive Income	8
Company Statement of Financial Position	9
Company Statement of Changes in Equity	10
Company Statement of Cash Flows	11
Notes to the Financial Statements	12- 50

INDEPENDENT AUDITORS' REPORT

To the Members of
Jamaican Teas Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Jamaican Teas Limited and its subsidiaries and associate ("the Group") set out on pages 3 to 50, which comprise the consolidated statement of financial position as at 30 September 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the accompanying statements of financial position of Jamaican Teas Limited standing alone as at 30 September 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Jamaican Teas Limited

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the Group's and the Company's financial position as at 30 September 2012, and of the financial performance, changes in equity and cash flows of the Group and the Company for the year then ended, so far as it concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept and the financial statements are in agreement therewith, and give the information required by the Act, in the manner so required.

A handwritten signature in black ink, appearing to be 'BDO'.

Chartered Accountants

28 December 2012

JAMAICAN TEAS LIMITED
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 SEPTEMBER 2012

	<u>Note</u>	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
REVENUE	7	824,532	648,863
COST OF SALES		(674,518)	(498,634)
GROSS PROFIT		150,014	150,229
Other income	8	<u>16,637</u>	<u>22,000</u>
		<u>166,651</u>	<u>172,229</u>
ADMINISTRATIVE AND OTHER EXPENSES			
Selling and marketing		17,950	14,743
Administrative expenses		<u>78,518</u>	<u>58,657</u>
		96,468	73,400
Exchange gain		(6,364)	(1,603)
		<u>90,104</u>	<u>71,797</u>
PROFIT FROM OPERATIONS	10	76,547	100,432
Finance costs	11	(1,289)	(3,346)
Share of results of associated company	18	(8,361)	(11,575)
PROFIT BEFORE TAXATION		66,897	85,511
Taxation	13	<u>7,764</u>	(2,948)
NET PROFIT FOR THE YEAR		<u>74,661</u>	<u>82,563</u>
Net profit attributable to:			
Owners of Jamaican Teas Limited		74,749	82,232
Non-controlling interest		(88)	<u>331</u>
		<u>74,661</u>	<u>82,563</u>
Earnings per stock unit for profit attributable to owners of the company during the period:			
Basic	14	<u>\$ 0.44</u>	<u>\$ 0.50</u>

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2012

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
NET PROFIT FOR THE YEAR	74,661	82,563
Other Comprehensive Income:		
Unrealised valuation gain on financial instruments	(13,961)	13,963
Realised fair value gain transferred to the statement of income	(7,197)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>53,503</u>	<u>96,526</u>
Total comprehensive income attributable to:		
Owners of Jamaican Teas Limited	53,591	96,195
Non-controlling interest	(88)	<u>331</u>
	<u>53,503</u>	<u>96,526</u>

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2012

	<u>Note</u>	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	16	125,701	52,556
Investment property	17	30,000	31,411
Investment in associate	18	20,461	21,510
Investments	20	185,165	220,681
Deferred tax assets	21	<u>7,327</u>	<u>3,755</u>
		<u>369,654</u>	<u>329,913</u>
CURRENT ASSETS:			
Inventories	22	131,352	95,814
Development property		60,228	-
Receivables	23	100,343	80,833
Taxation recoverable		5,006	2,875
Short term investments	24	-	10,787
Cash and cash equivalents	25	<u>1,217</u>	<u>24,066</u>
		<u>298,146</u>	<u>214,375</u>
		<u>667,800</u>	<u>544,288</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES:			
Share capital	26	141,420	137,643
Share premium		-	697
Capital reserve	27	7,059	7,059
Fair value reserve	28	(5,950)	15,208
Retained earnings		<u>368,874</u>	<u>310,954</u>
		511,403	471,561
Non-controlling interest		<u>176</u>	<u>264</u>
		<u>511,579</u>	<u>471,825</u>
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	21	-	4,546
Long term liabilities	29	<u>35,677</u>	<u>25,059</u>
		<u>35,677</u>	<u>29,605</u>
CURRENT LIABILITIES:			
Payables	30	52,913	27,382
Short term borrowings	31	67,631	15,427
Taxation payable		-	49
		<u>120,544</u>	<u>42,858</u>
		<u>667,800</u>	<u>544,288</u>

Approved for issue by the Board of Directors on 28 December 2012 and signed on its behalf by:

John Mahfood - Chief Executive Officer

John Jackson - Director

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2012

		Attributable to owners of the Company					Non- Controlling Interest	Total Equity
Note	Share Capital \$'000	Share Premium \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000	\$'000	\$'000
Balance as at 30 September 2010	137,643	697	7,059	1,245	245,502	392,146	(67)	392,079
Dividends paid 15	-	-	-	-	(16,780)	(16,780)	-	(16,780)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,963</u>	<u>82,232</u>	<u>96,195</u>	<u>331</u>	<u>96,526</u>
Balance as at 30 September 2011	137,643	697	7,059	15,208	310,954	471,561	264	471,825
Issue of shares, net of transaction costs	3,080	-	-	-	-	3,080	-	3,080
Dividends paid 15	-	-	-	-	(16,829)	(16,829)	-	(16,829)
Transfer to capital reserves	697	(697)	-	-	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,158)</u>	<u>74,749</u>	<u>53,591</u>	<u>(88)</u>	<u>53,503</u>
Balance as at 30 September 2012	<u>141,420</u>	<u>-</u>	<u>7,059</u>	<u>(5,950)</u>	<u>368,874</u>	<u>511,403</u>	<u>176</u>	<u>511,579</u>

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2012

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	74,661	82,563
Adjustments for:		
Gain on disposal of investments	(9,601)	(4,697)
Impairment in available for sale	9,332	-
Gain on disposal of property, plant and equipment	(297)	(748)
Deferred taxation	(8,118)	488
Income tax charge	355	2,460
Impairment in investment property	1,411	-
Depreciation	<u>9,988</u>	<u>6,616</u>
Operating cash flows before movements in working capital	77,731	86,682
Changes in operating assets and liabilities:		
Inventories	(35,538)	(11,515)
Receivables	(19,510)	(6,187)
Payables	<u>25,531</u>	<u>2,725</u>
Cash generated from operations	48,214	71,705
Tax paid	<u>(2,179)</u>	<u>(2,788)</u>
Net cash provided by operating activities	<u>46,035</u>	<u>68,917</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase/(decrease) in investments	25,107	(48,356)
Proceeds from disposal of property, plant and equipment	1,100	1,290
Additions of property, plant and equipment	(83,936)	(27,990)
Acquisition of development property	<u>(60,228)</u>	<u>-</u>
Net cash used in investing activities	<u>(117,957)</u>	<u>(75,056)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	3,080	-
Dividends paid	(16,829)	(16,780)
Loan proceeds	76,820	42,950
Loan repayment	<u>(13,998)</u>	<u>(13,431)</u>
Net cash provided by financing activities	<u>49,073</u>	<u>12,739</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(22,849)	6,600
Cash and cash equivalents at beginning of year	<u>24,066</u>	<u>17,466</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	<u>1,217</u>	<u>24,066</u>

JAMAICAN TEAS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2012

	<u>Note</u>	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
TURNOVER	7	459,180	405,825
COST OF SALES		(341,844)	(283,748)
GROSS PROFIT		117,336	122,077
Other income	8	<u>28,604</u>	<u>33,434</u>
		<u>145,940</u>	<u>155,511</u>
Administrative and other expenses		72,193	61,509
Exchange gain		(6,364)	(1,483)
		<u>65,829</u>	<u>60,026</u>
PROFIT FROM OPERATIONS	10	80,111	95,485
Finance costs	11	(45)	(1,165)
PROFIT BEFORE TAXATION		80,066	94,320
Taxation	13	<u>4,546</u>	(2,556)
NET PROFIT FOR THE YEAR		84,612	91,764
Other Comprehensive Income:			
Unrealised valuation gain on financial instruments		(13,961)	13,963
Realised fair value gain transferred to the statement of income		(7,197)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>63,454</u>	<u>105,727</u>

JAMAICAN TEAS LIMITED
STATEMENT OF FINANCIAL POSITION
30 SEPTEMBER 2012

	<u>Note</u>	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
<u>ASSETS</u>			
NON-CURRENT ASSETS :			
Property, plant and equipment	16	29,358	24,636
Investment property	17	30,000	31,411
Investment in subsidiaries		5,538	5,538
Investment in associate	18	40,398	33,085
Investments	20	169,419	204,935
Due from subsidiaries	19	<u>147,745</u>	<u>48,167</u>
		<u>422,458</u>	<u>347,772</u>
CURRENT ASSETS:			
Inventories	22	95,775	77,183
Receivables	23	94,266	78,090
Taxation recoverable		4,731	2,803
Short term investments	24	-	10,787
Cash and cash equivalents	25	<u>6,528</u>	<u>25,265</u>
		<u>201,300</u>	<u>194,128</u>
		<u>623,758</u>	<u>541,900</u>
<u>EQUITY AND LIABILITIES</u>			
CAPITAL AND RESERVES:			
Share capital	26	141,420	137,643
Share premium		-	697
Fair value reserve	28	(5,950)	15,208
Retained earnings		<u>398,732</u>	<u>330,949</u>
		<u>534,202</u>	<u>484,497</u>
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	21	-	4,546
Long term liabilities	29	<u>11,060</u>	<u>25,059</u>
		<u>11,060</u>	<u>29,605</u>
CURRENT LIABILITIES:			
Due to subsidiaries	19	2,222	671
Payables	30	22,460	11,700
Short term borrowings	31	<u>53,814</u>	<u>15,427</u>
		<u>78,496</u>	<u>27,798</u>
		<u>623,758</u>	<u>541,900</u>

Approved for issue by the Board of Directors on 28 December 2012 and signed on its behalf by:

John Mahfood - Chief Executive Officer

John Jackson - Director

JAMAICAN TEAS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2012

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Share Premium \$'000</u>	<u>Fair Value Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
Balance at 30 September 2010		137,643	697	1,245	255,965	395,550
Dividends paid	15	-	-	-	(16,780)	(16,780)
Total comprehensive income		<u>-</u>	<u>-</u>	<u>13,963</u>	<u>91,764</u>	<u>105,727</u>
Balance at 30 September 2011		137,643	697	15,208	330,949	484,497
Issue of shares, net of transaction cost		3,080	-	-	-	3,080
Dividends paid	15	-	-	-	(16,829)	(16,829)
Transfer of share premium		697	(697)	-	-	-
Total comprehensive income		<u>-</u>	<u>-</u>	<u>(21,158)</u>	<u>84,612</u>	<u>63,454</u>
Balance at 30 September 2012		<u>141,420</u>	<u>-</u>	<u>(5,950)</u>	<u>398,732</u>	<u>534,205</u>

JAMAICAN TEAS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2012

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	84,612	91,764
Adjustments for:		
Gain on disposal of investments	(9,601)	-
Impairment of available for sale	9,332	-
Gain on disposal of property, plant and equipment	(297)	(748)
Deferred taxation	(4,546)	145
Income tax charge	-	2,411
Impairment in investment property	1,411	-
Depreciation	<u>5,980</u>	<u>4,525</u>
Operating cash flows before movements in working capital	86,891	98,097
Changes in operating assets and liabilities:		
Inventories	(18,592)	(7,805)
Receivables	(16,176)	(7,077)
Related company	(98,027)	(18,946)
Payables	<u>10,760</u>	<u>2,359</u>
Cash generated from operations	(35,144)	66,628
Tax paid	<u>(1,928)</u>	<u>(2,788)</u>
Net cash (used in)/provided by operating activities	<u>(37,072)</u>	<u>63,840</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	38,713	42,950
Loan repayment	(14,325)	(5,036)
Share Issue	3,080	-
Dividends paid	<u>(16,829)</u>	<u>(16,780)</u>
Net cash provided by financing activities	<u>10,639</u>	<u>21,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in investments	25,414	(38,926)
Investment in associate	(7,313)	(33,085)
Proceeds from disposal of property, plant and equipment	1,100	1,290
Additions of property, plant and equipment	<u>(11,505)</u>	<u>(9,101)</u>
Net cash provided by/(used in) investing activities	<u>7,696</u>	<u>(79,822)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(18,737)	5,152
Cash and cash equivalents at beginning of year	<u>25,265</u>	<u>20,113</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	<u><u>6,528</u></u>	<u><u>25,265</u></u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

Jamaican Teas Limited (the company) is incorporated and domiciled in Jamaica. The registered office of the company is Sagicor Complex, Block A2 Units, 7-9 Norman Road, Kingston CSO.

The company was listed on the Junior Market of the Jamaica Stock Exchange on 3 July 2010.

The principal activities of the company, its subsidiaries and associated company are as follows:

- i. The importing of tea in bulk, packaging and the distribution of black and herbal teas.
- ii. The operation of supermarkets.
- iii. The rental and development of real estate properties.

2. FUNCTIONAL AND PRESENTATION CURRENCY:

These financial statements are expressed in Jamaican dollars.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary prior year comparatives have been restated and reclassified to conform to current year's presentation.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and investment property. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 5.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

Standards, interpretations and amendments to published standards effective in the reporting period

During the reporting period, certain new standards, amendments and interpretations became effective. Those considered relevant to the Group are as follows:

IAS 1, (Amendment), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). Retrospective application required. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group applied this amendment from 1 October 2011. There was no significant impact on the Group and Company.

IAS 24, (Revised), Related Party Disclosures, issued in November 2010. It supersedes IAS 24, Related Party Disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standards clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the standard did not have a significant impact on the Group and company related party disclosures.

IAS 34 Interim Financial Reporting, (effective for accounting periods beginning on or after 1 January 2011). Provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:

- The circumstances likely to affect fair values of financial instruments and their classification;
- Transfer of financial instruments between different levels of the fair value hierarchy;
- Changes in the classification of financial assets; and
- Changes in contingent liabilities and assets.

There was no impact on the Group.

IFRS 7, Financial Instruments (effective for annual periods beginning on or after 1 January 2011). Retrospective application required. Emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instrument. It clarifies that those financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) Basis of preparation (cont'd) -

Standards, interpretations and amendments to published standards that are not yet effective.

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the Group's operations are as follows:

IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassified to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IAS 12, Income Taxes (effective for annual periods beginning on or after 1 January 2012) currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40; "investment property." This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes-recovery of revalued non-depreciable assets' will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which was withdrawn.

IAS 27, *Separate Financial Statements*, (effective for annual periods beginning on or after 1 January 2013). The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27. The Group is assessing the impact that the standard will have on the 2014 financial statements.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

Standards, interpretations and amendments to published standards that are not yet effective (cont'd).

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2015; previously 1 January 2013). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to any entity's own credit risk is recoded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39.

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is not expected to have any impact on the Group's financial statements as there would be no change in the entities that are consolidated under the new standard.

IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly Controlled Entities-Non-Monetary Contributions by Venturers'. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard is concerned principally with addressing two aspects of IAS 31: first, that the stricture of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities, and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements. The standard requires a joint venture to recognize an investment and to account for that investment using the equity method in accordance with IAS 28, 'Investments in Associates and Joint Ventures', unless the entity is exempted from applying the equity method as specified in that standard.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

Standards, interpretations and amendments to published standards that are not yet effective (cont'd).

IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013). It replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The company will apply the amended standard for accounting periods beginning 1 October 2013.

(b) Basis of consolidation -

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date of which control is obtained. They are deconsolidated from the date control ceases.

The subsidiaries consolidated are as follows:-

H Mahfood & Sons Limited - (100% owned)
JRG Shoppers Delite Limited - (80% owned)

(c) Associates -

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Associates (cont'd) -

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interest in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group's associated company, incorporated in Jamaica is Bay City Foods Limited. The Group has a 49% interest in the company.

(d) Segment Reporting -

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Finance Committee that makes strategic decisions.

(e) Property, plant and equipment -

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Freehold land is not depreciated.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Annual rates are as follows:

Plant and equipment	10%
Furniture and fixtures	10%
Motor vehicles	20%
Computers	20%
Leasehold improvements - shorter of lease and useful lives	

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Inventories -

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

Raw materials	- Purchase cost on a first-in, first-out basis.
Finished goods (manufactured)	- Cost of direct raw materials and labour.
Finished goods (purchased)	- valued at landed costs.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

(g) Trade and other receivables -

Trade receivables are carried at original invoice amounts less provision made for impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Other receivables are stated at amortized cost less impairment losses.

(h) Trade payables -

Trade payables are stated at amortised cost.

(i) Borrowings and borrowing costs -

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings. Borrowing costs are recognised as expense in the period in which they are incurred.

(j) Share Capital -

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Groups' ordinary shares are classified as equity instruments.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) Impairment -

The carrying amounts of the Group's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

(l) Financial assets

The Group classifies its financial assets in the categories loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's loans and receivables comprise trade receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, in hand, deposits and short-term liquid investments with original maturities of three months or less, net of bank overdraft.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income. These available-for-sale financial assets are classified as investments in the statement of financial position.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(l) Financial assets (cont'd) -

Available-for-sale financial assets (cont'd)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

(m) Foreign currency translation -

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the year end date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognized in the statement of comprehensive income (applicable for financial assets fair valued through profit or loss), or within other comprehensive income if the non-monetary financial assets are equity instruments which are designated as fair valued through other comprehensive income.

(n) Investment properties -

The Group's investment properties are revalued annually to open market value, with changes in the carrying value are recognised in the consolidated income statement.

(o) Investments in subsidiaries -

Investments in subsidiaries are stated at cost.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(p) Taxation -

Taxation expense in the income statement comprises current and deferred tax charges.

(i) Current income taxes

Current income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred income taxes

Deferred tax is provided in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

Deferred tax assets is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Revenue recognition -

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Provided the amount of revenue can be measured reliably and it is probable that the Group will receive any consideration, revenue for services is recognised in the period in which they are rendered.

Interest income is recognised in the income statement for all interest-bearing instruments on an accrual basis unless collectibility is doubtful.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(r) Leases -

Leases of property where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance charges are expensed in the profit and loss account over the lease period. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged as an expense in the statement of income on the straight-line basis over the period of the lease.

(s) Pension costs -

The Group participates in a defined contribution plan whereby it pays contributions to a privately administered fund, the contributions are charged to the consolidated income statement in the year to which they relate and are included in staff costs.

(t) Dividends payable -

Dividends are recorded as a deduction from equity in the period in which they are approved.

4. FINANCIAL AND CAPITAL RISK MANAGEMENT:

(a) Financial risk factors -

The Group has exposure to the following risks from its use of financial instruments and its operations: credit risk, liquidity risk, and market risk. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Chief Executive function. The Board receives regular reports from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Audit Committee also reviews the risk management policies and processes.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

Principal financial instruments -

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade receivables
- Trade and other payables
- Repurchase agreements
- Investments in quoted and unquoted equity securities
- Corporate bonds
- Government bonds

A summary of the financial instruments held by category is provided below:

The Group

Financial assets -

	<u>Loans and Receivables</u>		<u>Available-for-sale</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	1,217	24,066	-	-
Trade receivables	71,912	68,452	-	-
Repurchase agreements	-	-	171	10,787
Government of Jamaica bonds	-	-	60,012	77,043
Corporate bonds	-	-	28,421	76,045
Equities	-	-	96,732	67,593
	<u>73,129</u>	<u>92,518</u>	<u>185,336</u>	<u>231,468</u>

Financial liabilities at amortised cost -

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payables	35,697	18,263
Loans and borrowings	103,308	40,486
Total financial liabilities	<u>139,005</u>	<u>58,749</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

The Company

Financial assets -

	<u>Loans and Receivables</u>		<u>Available-for-sale</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	6,528	25,265	-	-
Trade receivables	71,676	68,452	-	-
Repurchase agreements	-	-	171	10,787
Government of Jamaica bonds	-	-	60,012	77,043
Corporate bonds	-	-	28,421	76,045
Equities	-	-	80,986	51,847
	<u>78,204</u>	<u>93,717</u>	<u>169,590</u>	<u>215,722</u>

Financial liabilities at amortised cost -

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payables	7,971	2,927
Loans and borrowings	64,874	40,456
Total financial liabilities	<u>72,845</u>	<u>43,383</u>

(i) Credit risk -

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from customers and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(i) Credit risk (cont'd) -

Investments and cash and cash equivalents

The Group limits its exposure to credit risk by maintaining cash resources and investing mainly in liquid securities with counterparties that have high credit quality and Government of Jamaica Securities.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit policy states that each customer must be analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes bank references.

The Board of Directors determines concentrations of credit risk by quarterly monitoring the creditworthiness of existing customers and through a monthly review of the trade receivables' ageing analysis.

Credit limits for all customers are reviewed at least annually, against the customers' payment history, assessment of customers' credit risk and sales department information.

Further disclosures regarding trade receivables, which are neither past due nor impaired are provided in note 23.

The maximum exposure to credit risk is as follows:

The Group

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Financial assets -		
Cash and cash equivalents	1,217	24,066
Trade receivables	71,912	68,452
Available-for-sale investments	<u>185,336</u>	<u>231,468</u>
Total financial assets	<u>258,465</u>	<u>323,986</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(i) Credit risk (cont'd) -

The Company

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Financial assets -		
Cash and cash equivalents	6,528	25,265
Trade receivables	71,676	68,452
Available-for-sale investments	<u>169,590</u>	<u>215,722</u>
Total financial assets	<u>247,794</u>	<u>309,439</u>

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar, Canadian dollar and Pound Sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(ii) Market risk (cont'd)

As at 30 September the Group had net foreign exposure as follows:

The Group and Company

		<u>Jamaican Dollars</u>		<u>Jamaican Dollars</u>
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Net foreign currency financial assets/ (liabilities) -				
United States dollars	908,263	81,680	937,885	80,949
Canadian dollars	107,381	9,740	104,750	8,727
Pound sterling	<u>3,568</u>	<u>514</u>	<u>27,843</u>	<u>3,750</u>

Foreign currency sensitivity

The following table indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% increase (2011 - .5%) and 1% decrease (2011 - 1%) in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of foreign denominated cash and deposits, instruments and payables. The analysis assumes that all the variables, in particular interest remain constant.

The Group and Company

	% Change in Currency Rate	Effect on Profit Before Taxation <u>2012</u> <u>\$'000</u>	% Change in Currency Rate	Effect on Profit Before Taxation <u>2011</u> <u>\$'000</u>
Currency:				
USD	+1%	(81.7)	+ .5%	(225)
GPB	+1%	(97)	+ .5%	(44)
CAN	<u>+1%</u>	<u>(5)</u>	<u>+ .5%</u>	<u>(19)</u>
USD	-1%	81.7	-1%	449
GBP	-1%	97	-1%	88
CAN	<u>-1%</u>	<u>5</u>	<u>-1%</u>	<u>38</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(iii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of investments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

The Group's interest rate risk arises from deposits and short-term instruments, investments, short term borrowings and long term liabilities.

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonably possible change in basis points in interest rates with all other variables held constant, on the Group's profit. The analysis assumes that all other variables, in particular foreign currency rates remain constant.

Change in Basis Points	Effect on Profit	Change in Basis Points	Effect on Profit
<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
-100	(757)	-50	(662)
<u>+100</u>	<u>757</u>	<u>+100</u>	<u>1,325</u>

(iv) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(iv) Liquidity risk (cont'd)

The following table sets out the contractual maturities of financial liabilities:

The Group

	Up to 3 Months \$'000	3 to 12 Months \$'000	1 to 2 Years \$'000	Total \$'000
At 30 September 2012				
Trade payables	35,697	-	-	35,697
Loans and borrowings	<u>43,236</u>	<u>10,578</u>	<u>49,494</u>	<u>103,308</u>
Total	<u>78,933</u>	<u>10,578</u>	<u>49,494</u>	<u>139,005</u>

	Up to 3 Months \$'000	3 to 12 Months \$'000	1 to 2 Years \$'000	Total \$'000
At 30 September 2011				
Trade payables	18,263	-	-	18,263
Loans and borrowings	<u>-</u>	<u>15,427</u>	<u>25,059</u>	<u>40,486</u>
Total	<u>18,263</u>	<u>15,427</u>	<u>25,059</u>	<u>58,749</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

4. **FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**

(a) Financial risk factors (cont'd) -

(iv) Liquidity risk (cont'd)

The Company

	Up to 3 Months \$'000	3 to 12 Months \$'000	1 to 2 Years \$'000	Total \$'000
At 30 September 2012				
Trade and other payables	7,971	-	-	7,971
Loans and borrowings	<u>43,236</u>	<u>10,578</u>	<u>11,060</u>	<u>64,874</u>
Total	<u>51,207</u>	<u>10,578</u>	<u>11,060</u>	<u>72,845</u>

	Up to 3 Months \$'000	3 to 12 Months \$'000	1 to 2 Years \$'000	Total \$'000
At 30 September 2011				
Trade and other payables	2,927	-	-	2,927
Loans and borrowings	<u>-</u>	<u>15,427</u>	<u>25,059</u>	<u>40,486</u>
Total	<u>2,927</u>	<u>15,427</u>	<u>25,059</u>	<u>43,413</u>

(v) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(v) Capital Management (cont'd)

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as debt divided by owner's equity. Debt is calculated as total borrowings as shown in the consolidated statement of financial position. Owners' equity is calculated as capital and reserves attributable to the company's owners as shown in the consolidated statement of financial position.

The debt to equity ratio at 30 September based on these calculations were as follows:

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Total borrowing	103,308	40,486
Owners' equity	511,403	471,561
Debt to equity ratio	<u>20.2%</u>	<u>8.6%</u>

There were no changes to the Group's approach to capital management during the year.

(b) Financial instruments measured at fair value -

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of the Group's and Company's financial instruments held as at 30 September that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 2 based on the degree to which the fair value is observed, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical instrument;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(b) Financial instruments measured at fair value (cont'd) -

There were no transfers between the levels during the year.

The Group

	2012		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale:			
Quoted equities	80,986	-	80,986
Repurchase agreements	-	171	171
Corporate bonds	-	28,421	28,421
Government of Jamaica bonds	-	60,012	60,012
	<u>80,986</u>	<u>88,604</u>	<u>169,590</u>
	2011		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale:			
Quoted equities	51,847	-	51,847
Repurchase agreements	-	10,787	10,787
Corporate bonds	-	76,045	76,045
Government of Jamaica bonds	-	77,043	77,043
	<u>51,847</u>	<u>163,875</u>	<u>215,722</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represents actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(b) Financial instruments measured at fair value (cont'd) -

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair value of cash and cash equivalents, short-term deposits, accounts receivables, accounts payable, loans and Group companies' balances approximates to their carrying values due to their relatively short-term nature.

The fair value of unquoted equities could not be reliably determined and are carried at cost.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group is subject to income taxes in Jamaica except, parent company, Jamaican Teas Limited. Significant judgement is required in determining the provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

6. BUSINESS SEGMENTS:

The Group has three reportable segments:

- Manufacturing company - this incorporates the packaging and the distribution of teas and other consumable items and accounts for the largest proportion of the Group's business generating 56% of its external revenue.
- Retailing companies - this segment is involved in the operation of supermarkets and contributed 44% of the Group's external revenue.
- Rental and development - this segment rent and develop properties.

The Group's reportable segments are strategic business units that offer different products and are managed separately.

	2012			
	Manufacturing \$'000	Retailing \$'000	Rental & Development \$'000	Total \$'000
Revenue				
Total revenue from external customers	<u>459,180</u>	<u>361,976</u>	<u>3,376</u>	<u>824,532</u>
Depreciation	<u>5,980</u>	<u>3,024</u>	<u>984</u>	<u>9,988</u>
Segment profit/(loss)	<u>85,167</u>	<u>(439)</u>	<u>1,151</u>	85,879
Impairment of available-for-sale Investment				(9,332)
Share of losses in associate				(8,361)
Finance cost				<u>(1,289)</u>
Group profit before tax				<u>66,897</u>
(Reduction)/additions (in)/to non-current assets	<u>(32,205)</u>	<u>12,586</u>	<u>55,837</u>	<u>36,218</u>
Reportable segments assets	<u>431,079</u>	<u>53,676</u>	<u>155,257</u>	640,012
Investments in associates				20,461
Deferred tax assets				<u>7,327</u>
Total group assets				<u>667,800</u>
Reportable segment liabilities	<u>78,496</u>	<u>27,741</u>	<u>14,307</u>	120,544
Long term liabilities				<u>35,677</u>
Total group liabilities				<u>156,221</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

6. BUSINESS SEGMENTS (CONT'D):

	2011		
	Manufacturing \$'000	Retailing \$'000	Rental & Development \$'000
			Total \$'000
Revenue			
Total revenue from external customers	<u>405,825</u>	<u>239,876</u>	<u>3,162</u>
Depreciation	<u>4,525</u>	<u>1,828</u>	<u>263</u>
Segment profit	<u>97,398</u>	<u>2,312</u>	<u>722</u>
Share of losses in associate			(11,575)
Finance cost			(3,346)
Group profit before tax			<u>85,511</u>
Additions to non-current assets	<u>62,956</u>	<u>5,838</u>	<u>9,217</u>
Reportable segments assets	<u>462,756</u>	<u>27,504</u>	<u>28,763</u>
Investments in associates			519,023
Deferred tax assets			21,510
			<u>3,755</u>
Total group assets			<u>544,288</u>
Reportable segment liabilities	<u>27,798</u>	<u>14,193</u>	<u>867</u>
Long term liabilities			42,858
Deferred tax liabilities			25,059
			<u>4,546</u>
Total group liabilities			<u>72,463</u>

7. REVENUE:

The Group

	<u>2012</u> \$'000	<u>2011</u> \$'000
Revenue arises from -		
Export sales - manufacturing company	200,956	155,327
Domestic sales - manufacturing company	258,224	250,498
Retail sales	361,976	239,876
Rental	<u>3,376</u>	<u>3,162</u>
	<u>824,532</u>	<u>648,863</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

7. REVENUE (CONT'D):

The Company

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Revenue arises from -		
Export sales	200,956	155,327
Domestic sales	<u>258,224</u>	<u>250,498</u>
	<u>459,180</u>	<u>405,825</u>

8. OTHER INCOME:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Interest income	11,847	15,421	11,987	15,421
Rental Income	-	-	2,348	1,500
Dividend income	2,906	1,229	2,906	1,229
Management fees	-	-	10,000	10,000
Gain on sale of property, plant and equipment	297	748	297	748
Gain on sale of investments	9,601	4,536	9,601	4,536
Impairment of available-for-sale	(9,332)	-	(9,332)	-
Miscellaneous income	<u>1,318</u>	<u>66</u>	<u>797</u>	<u>-</u>
	<u>16,637</u>	<u>22,000</u>	<u>28,604</u>	<u>33,434</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

9. EXPENSES BY NATURE:

Total cost of sales, selling, administration and other operating expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Advertising and promotion	19,563	14,982	17,950	14,743
Auditors' remuneration	1,290	1,310	720	800
Prior year over provision	(5)	(472)	-	-
Cost of inventories recognised as an expense	589,202	421,668	286,201	237,581
Depreciation	9,988	6,616	5,980	4,525
Insurance	4,998	4,250	3,746	3,451
Repairs and maintenance	13,833	12,504	12,088	9,050
Staff Costs (Note 12)	67,437	60,701	48,961	45,886
Utilities	19,147	14,171	5,582	7,656
Other expenses	<u>45,533</u>	<u>36,304</u>	<u>32,809</u>	<u>21,565</u>
	<u>770,986</u>	<u>592,034</u>	<u>414,037</u>	<u>345,257</u>

10. PROFIT FROM OPERATIONS:

Stated after charging the following:

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Directors' emoluments:		
Remuneration	7,215	7,215
Fees	950	450
Depreciation	9,988	6,616
Auditors' remuneration	1,285	1,310
Staff costs (note 12)	<u>67,437</u>	<u>60,701</u>

11. FINANCE COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest expense	<u>1,289</u>	<u>3,346</u>	<u>45</u>	<u>1,165</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

12. STAFF COSTS:

	<u>The Group</u>	
	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Wages and salaries	59,936	52,328
Pension	826	798
Other employment benefits	<u>6,675</u>	<u>7,575</u>
	<u>67,437</u>	<u>60,701</u>

13. TAXATION:

Taxation is based on the profit for the year, adjusted for taxation purposes and comprises:-

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current year income tax @ 33 1/3%	-	49	-	-
Prior year under-provision	355	2,411	-	2,411
Deferred taxation	<u>(8,119)</u>	<u>488</u>	<u>(4,546)</u>	<u>145</u>
	<u>(7,764)</u>	<u>2,948</u>	<u>(4,546)</u>	<u>2,556</u>

The company was listed on the Junior Market of the Jamaica Stock Exchange in July 2010 and under the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2010 100% of income taxes will be remitted by the Minister of Finance during the first five years of listing on Junior Market (Phase one) of the Jamaica Stock Exchange and 50% of income taxes will be remitted by the Minister of Finance during the second five years of listing on the Junior Market (Phase two) of the Jamaica Stock Exchange.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

13. TAXATION (CONT'D):

Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge.

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>66,897</u>	<u>85,511</u>	<u>80,066</u>	<u>94,320</u>
Tax calculated at 33 1/3%	22,299	28,504	26,687	31,440
Adjusted for the effects of:				
Prior year under provision	-	2,411	-	2,411
Expenses not deducted for tax purposes	6,234	4,074	4,809	3,377
Net effects of other charges and allowances	<u>(12,791)</u>	<u>(5,588)</u>	<u>(12,536)</u>	<u>(8,219)</u>
	15,742	29,401	18,960	29,009
Adjusted for the effects of tax remission:				
Current tax	<u>(23,506)</u>	<u>(26,453)</u>	<u>(23,506)</u>	<u>(26,453)</u>
	<u>(7,764)</u>	<u>2,948</u>	<u>(4,546)</u>	<u>2,556</u>

14. EARNINGS PER STOCK UNIT ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY:

Earning per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue.

	<u>2012</u>	<u>2011</u>
Net profit attributable to stockholders (\$'000)	74,661	82,563
Weighted average number of ordinary stock units ('000)	168,708	167,828
Basic earnings per stock unit (\$)	<u>0.44</u>	<u>0.50</u>

The company has no dilutive potential ordinary shares.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

15. DIVIDENDS:

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Ordinary dividends -		
Interim dividends paid in respect of 2012/2011	8,435	8,389
Final dividends paid in respect of 2011/2010	<u>8,394</u>	<u>8,391</u>
	<u>16,829</u>	<u>16,780</u>

16. PROPERTY, PLANT AND EQUIPMENT:

The Group

	<u>Land & Building</u> <u>\$'000</u>	<u>Plant, Equipment Furniture, & Fixtures</u> <u>\$'000</u>	<u>Motor Vehicles</u> <u>\$'000</u>	<u>Leasehold Improvement</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At cost:					
1 October 2011	19,969	46,089	10,108	5,006	81,172
Additions	56,822	20,052	3,500	3,562	83,936
Disposal	<u>-</u>	<u>-</u>	<u>(1,047)</u>	<u>-</u>	<u>(1,047)</u>
	<u>76,791</u>	<u>66,141</u>	<u>12,561</u>	<u>8,568</u>	<u>164,061</u>
Depreciation:					
1 October 2011	8	20,921	4,540	3,147	28,616
Charge for the year	985	5,126	2,182	1,695	9,988
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(244)</u>	<u>-</u>	<u>(244)</u>
	<u>993</u>	<u>26,047</u>	<u>6,478</u>	<u>4,842</u>	<u>38,360</u>
Net Book Value:					
30 September 2012	<u>75,798</u>	<u>40,094</u>	<u>6,083</u>	<u>3,726</u>	<u>125,701</u>
30 September 2011	<u>19,961</u>	<u>25,168</u>	<u>5,568</u>	<u>1,859</u>	<u>52,556</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D):

The Company

	<u>Plant, Equipment Furniture, & Fixtures \$'000</u>	<u>Motor Vehicles \$'000</u>	<u>Leasehold Improvement \$'000</u>	<u>Total \$'000</u>
At cost:				
1 October 2011	38,340	10,108	1,662	50,110
Additions	7,603	3,500	402	11,505
Disposal	<u>-</u>	<u>(1,047)</u>	<u>-</u>	<u>(1,047)</u>
	<u>45,943</u>	<u>12,561</u>	<u>2,064</u>	<u>60,568</u>
Depreciation:				
1 October 2011	19,379	4,540	1,555	25,474
Charge for the year	3,553	2,182	245	5,980
Eliminated on disposal	<u>-</u>	<u>(244)</u>	<u>-</u>	<u>(244)</u>
	<u>22,932</u>	<u>6,478</u>	<u>1,800</u>	<u>31,210</u>
Net Book Value:				
30 September 2012	<u>23,011</u>	<u>6,083</u>	<u>264</u>	<u>29,358</u>
30 September 2011	<u>18,961</u>	<u>5,568</u>	<u>107</u>	<u>24,636</u>

17. INVESTMENT PROPERTY:

	<u>2012</u>	<u>Group</u>	<u>2011</u>	<u>Company</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>		<u>\$'000</u>		<u>\$'000</u>	<u>\$'000</u>
At beginning of period	31,441		31,441		31,441	31,441
Change in fair value	<u>1,411</u>		<u>-</u>		<u>(1,441)</u>	<u>-</u>
At 30 September	<u>30,000</u>		<u>31,441</u>		<u>30,000</u>	<u>31,441</u>

The investment property as at September 2012 was valued at current market value by DC Tavares and Finson Realty Company Limited, Real Estate Agents, Appraisers, Auctioneers and Consultants.

During the year \$1,747,698 (2011 - Nil) was recognized in the consolidated income statement in relation to rental of investment properties. Direct operating expenses including repairs and maintenance amounted to \$103,042.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

18. INVESTMENT IN ASSOCIATE:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investment at beginning of year	21,510	33,085	33,085	33,085
Share of results after tax	(8,361)	(11,575)	-	-
Additions	<u>7,313</u>	<u>-</u>	<u>7,313</u>	<u>-</u>
At end of year	<u>20,461</u>	<u>21,510</u>	<u>40,398</u>	<u>33,085</u>

The assets, liabilities, revenue and net profit of the associate are as follows:

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Assets	93,998	95,384
Liabilities	(134,675)	(52,865)
Revenue	342,724	216,616
Net loss	<u>(17,064)</u>	<u>(23,623)</u>

19. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties.

(a) Key management compensation -

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and other short-term employees benefits	<u>12,969</u>	<u>14,677</u>	<u>11,902</u>	<u>12,877</u>

(b) Year-end balances with related companies

	<u>The Company</u>	
	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Receivable from subsidiaries -		
H. Mahfood and Sons Ltd.	124,245	38,357
JRG Shoppers Delite Enterprise Limited	<u>23,500</u>	<u>9,810</u>
	<u>147,745</u>	<u>48,167</u>
Due to subsidiaries -		
H Mahfood and Sons Limited	-	671
JRG Shoppers Delite Enterprise Limited	<u>2,222</u>	<u>-</u>
	<u>2,222</u>	<u>671</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

19. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

(c) Year-end balances with directors			
	<u>2012</u>	<u>2011</u>	
	<u>\$'000</u>	<u>\$'000</u>	
Amounts included in -			
Receivables (note 23)	604	202	
Other loans (note 31)	<u>15,216</u>	<u>1,107</u>	
(d) Transactions and balances with companies controlled by directors			
Transactions -			
	<u>2012</u>	<u>2011</u>	
	<u>\$'000</u>	<u>\$'000</u>	
Sale of goods	211,679	205,408	
Services rendered	<u>11,110</u>	<u>10,000</u>	
Balances -			
	<u>2012</u>	<u>2011</u>	
	<u>\$'000</u>	<u>\$'000</u>	
Amounts included in receivables (note 23)	25,052	25,655	
Amounts included in payables (note 30)	<u>(2,413)</u>	<u>(759)</u>	

20. INVESTMENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale at market value -				
Government of Jamaica bonds	60,012	77,043	60,012	77,043
Corporate bonds	28,422	76,045	28,422	76,045
Quoted equities	80,985	51,847	80,985	51,847
Unquoted equities at cost	<u>15,746</u>	<u>15,746</u>	<u>-</u>	<u>-</u>
	<u>185,165</u>	<u>220,681</u>	<u>169,419</u>	<u>204,935</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

20. INVESTMENTS (CONT'D):

The weighted average effective interest rate at the year end was as follows.

	<u>2012</u>	<u>2011</u>
Government of Jamaica Bonds -		
- J\$	12.38%	12.38%
Corporate Bonds -		
- US\$	<u>8.87%</u>	<u>8.37%</u>

21. DEFERRED TAXATION:

Deferred income taxes are calculated in full on temporary differences under the liability method using the principal tax rate of 33 1/3%.

The movement in deferred tax assets and liabilities during the period is as follows:

Deferred tax liabilities -

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Accelerated tax depreciation -				
At beginning of year	(4,546)	(4,401)	(4,546)	(4,401)
Income statement credit/(charge)	<u>4,546</u>	<u>(145)</u>	<u>4,546</u>	<u>(145)</u>
At end of year	<u>-</u>	<u>(4,546)</u>	<u>-</u>	<u>(4,546)</u>

Deferred tax assets - The Group

	<u>Accelerated</u> <u>Tax</u> <u>Depreciation</u>	<u>Tax</u> <u>Loss</u>	<u>2012</u> <u>Total</u> <u>\$'000</u>	<u>2011</u> <u>Total</u> <u>\$'000</u>
At beginning of year	(277)	4,032	3,755	4,098
Income statement (charge)/credit	<u>(892)</u>	<u>4,464</u>	<u>3,572</u>	<u>(343)</u>
At end of year	<u>(1,169)</u>	<u>8,496</u>	<u>7,327</u>	<u>3,755</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

21. DEFERRED TAXATION (CONT'D):

Deferred tax charge in income statement -

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(Decrease)/increase in deferred tax liabilities	(4,546)	145	(4,546)	145
(Increase)/decrease in deferred tax assets	(3,572)	343	-	-
	<u>(8,118)</u>	<u>488</u>	<u>(4,546)</u>	<u>145</u>

22. INVENTORIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Machine spares	4,800	3,409	4,800	3,409
Finished goods - Manufacturing	36,145	13,742	36,145	13,742
Raw materials	54,829	60,032	54,830	60,032
Merchandise - Retail	<u>35,578</u>	<u>18,631</u>	<u>-</u>	<u>-</u>
	<u>131,352</u>	<u>95,814</u>	<u>95,775</u>	<u>77,183</u>

23. RECEIVABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	71,912	69,076	71,696	69,076
Less provision for bad debt	<u>-</u>	<u>(624)</u>	<u>-</u>	<u>(624)</u>
	71,912	68,452	71,696	68,452
Deposit	1,993	3,472	1,489	2,034
Receivable - director	705	202	605	-
Prepaid expenses	9,771	3,417	6,842	2,715
Short term loan receivable	8,654	1,175	8,027	1,175
Other receivables	<u>7,308</u>	<u>4,115</u>	<u>5,607</u>	<u>3,714</u>
	<u>100,343</u>	<u>80,833</u>	<u>94,266</u>	<u>78,090</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

23. RECEIVABLES (CONT'D):

Trade receivables balance at the end of the year, approximately \$25 million (2011 - \$25.6 million) is due from the company's largest customers and are in the approved credit limit. There are no other customers who represent more than 5% of the total balance of trade receivables. The company does not hold any collateral over trade receivables balances.

The aging of trade receivables is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
0-30 days	52,479	55,536	52,263	55,536
31-60 days	19,773	5,029	10,773	5,029
61-90 days	<u>8,660</u>	<u>8,511</u>	<u>8,660</u>	<u>8,511</u>
	<u>71,912</u>	<u>69,076</u>	<u>71,696</u>	<u>69,076</u>

24. SHORT TERM INVESTMENTS:

	<u>The Group and Company</u>	
	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Repurchase agreements - United States dollars	-	8,690
- Jamaican dollars	<u>-</u>	<u>2,097</u>
	<u>-</u>	<u>10,787</u>

The weighted average effective interest rate at the year end was as follows.

	<u>2012</u>	<u>2011</u>
Repurchase agreements maturing within 3 months -		
- US\$	-	2.30%
- J\$	<u>-</u>	<u>5.10%</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

25. CASH AND CASH EQUIVALENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash in hand	712	579	169	144
Cash at bank	<u>6,477</u>	<u>25,578</u>	<u>6,359</u>	<u>25,121</u>
Bank overdraft (unsecured)	7,189	26,157	6,528	25,265
	<u>(5,972)</u>	<u>(2,091)</u>	<u>-</u>	<u>-</u>
	<u>1,217</u>	<u>24,066</u>	<u>6,528</u>	<u>25,265</u>

Interest rate exposure -

The weighted average effective interest rate at the year end was as follows:

	<u>2012</u>	<u>2011</u>
Cash at bank - US\$	0.55%	0.70%
- CAD\$	0.30%	0.30%
- Sterling £	<u>0.50%</u>	<u>.60%</u>

26. SHARE CAPITAL:

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised -		
250,000,000 (2011 - 250,000,000) ordinary shares of no par value		
Stated capital -		
Issued and fully paid ordinary shares of no par value		
168,708,365 (2011 - 167,828,365)	<u>141,420</u>	<u>137,643</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

26. SHARE CAPITAL (CONT'D):

At the Annual General Meeting held on 2 March 2011, the stockholders passed a resolution for 16,000,000 of the authorised but unissued shares to be set aside as part of a stock option plan for directors and a stock purchase plan for employees in two tranches of 8 million shares between 30 June 2012, and 30 June 2021 subject to certain conditions. The directors' options are exercisable in amounts of 200,000 shares per annum in whole or in part within five years of June 2012 in whole or in part. The price to be paid for the first tranche when exercised is \$7 per share payable in full at the time the option is exercised. The second tranche will come into effect immediately after the first option period ends. The pricing for the second tranche will be determined at the annual general meeting preceding the start date. Staff members will be allowed to purchase shares set aside for them at a 10 percent discount to the last stock market selling price and the date the offer is taken up. They will be given a specific time in each year in which to take up the offer, and interest free loans for a three year term to acquire the shares. At the end of the financial year the following allocations were made:

During the year the employees took up the offer of 880,000 shares.

27. CAPITAL RESERVES:

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
This represents realized surplus arising on -		
Disposal of property, plant and equipment	6,759	6,759
Waiver of directors' loans	229	229
Disposal of investments	<u>71</u>	<u>71</u>
	<u>7,059</u>	<u>7,059</u>

28. FAIR VALUE RESERVES:

This represents unrealised (deficit)/surplus on revaluation of investments.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

29. LONG TERM LIABILITIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Inter-American Bank	25,384	39,379	25,385	39,379
Vendor's mortgage	<u>38,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
	63,819	39,379	25,385	39,379
Less current portion	<u>(28,142)</u>	<u>(14,320)</u>	<u>(14,325)</u>	<u>(14,320)</u>
	<u>35,677</u>	<u>25,059</u>	<u>11,060</u>	<u>25,059</u>

The Inter-American Bank loan is repayable over three years ending April 2014, at an interest rate of 6.09%. It is secured by Government of Jamaica bonds with a nominal value of \$54 million and personal guarantee of a director.

The vendor's mortgage is repayable over three years ending March 2015 at an interest rate of 5%. It is secured by the property located at 9 Chancery Street, St. Andrew.

30. PAYABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade payables	35,697	18,263	7,971	2,927
Other payables	<u>17,216</u>	<u>9,119</u>	<u>14,489</u>	<u>8,773</u>
	<u>52,913</u>	<u>27,382</u>	<u>22,460</u>	<u>11,700</u>

31. SHORT TERM BORROWINGS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Other loans	39,489	1,107	39,489	1,107
Current portion of long term loans (note 29)	<u>28,142</u>	<u>14,320</u>	<u>14,325</u>	<u>14,320</u>
	<u>67,631</u>	<u>15,427</u>	<u>53,814</u>	<u>15,427</u>

The other loans are unsecured, interest free and have no fixed repayment terms.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2012

32. **COMMITMENTS:**

- (a) The total future value of minimum lease payments due is \$20,916,186 as follows:

	<u>\$</u>
In financial year:	
2012	6,650,266
2013	8,875,738
2014	<u>5,390,182</u>

- (b) Subsequent to the year end the company made an offer to purchase property and equipment for US\$915,000. The offer has been accepted but is subject to contract.